



**Date:** May 12, 2016

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Harmon E. Crutchfield, Interim Transportation Director

**Subject:** Proposed New Downtown Mixed-Use Parking Garage

### **Executive Summary**

The City recently completed a Comprehensive Parking Study for Downtown and Ninth Street. A presentation of the findings and recommendations of the Study was provided to City Council at the October 24, 2013 work session. Many of the recommendations of the Parking Study have been implemented over the past 18 months.

One of the recommendations of the Comprehensive Parking Study is for the City to build a new parking garage to meet the demand in the Downtown area. Two sites for potential garages were initially identified within the Downtown Loop along West Morgan Street to meet the demand in the City Center. Further, the Study recommended that if the City should move forward with the redevelopment of the existing Chapel Hill Street garage and surface lot site, that the existing parking supply should be replaced by another garage within the Downtown Loop prior to demolition of the existing parking facilities.

### **Recommendation**

The Department recommends that the City Council authorize staff to proceed with the current approach and timeline for the construction and delivery of the new Downtown Mixed-Use Parking Garage, consisting of approximately 750-850 parking spaces, 15,000-20,000 square feet of ground-level commercial/retail space, and a 5,000 square foot office space for the City's Division of Parking Management.

### **Background**

Over the last decade, Downtown Durham has seen considerable investment and growth. According to Downtown Durham Inc. (DDI), since 2000, there has been \$1.3 billion of investment in downtown; more than 2,500 people live in Downtown Durham; there are more than 1700+ residential units presently available downtown; 16,500 people work downtown; there are over 90 restaurants and bars; 150 startups are located downtown; etc. Further, DDI has identified that more than 1,000 residential units, 450 additional hotel rooms, over 600,000 square feet of new office space and more than 25,000 sq. ft. of new retail space will be realized downtown through 2017.

As a result, there is unprecedented demand for parking in City-owned and operated public parking facilities. The City's Off-Street parking garages (i.e., Chapel Hill Street Garage, Church Street Garage, Corcoran Street Garage, and the Durham Centre Garage) are operating at capacity for monthly permit holders. As a result, the City is not able to accommodate requests for monthly parking permits from individuals or businesses. The

proposed new downtown parking garage is on an expedited, aggressive delivery schedule in order to meet parking demands.

In 2013, the City of Durham, under contract with Kimley-Horn, conducted a Comprehensive Parking Study of the existing parking system to be in a position to provide an improved experience to those that work, visit and live in Durham.

To meet future parking demand in the Downtown area, the Parking Study identified the need for a new City-owned parking garage. During the Comprehensive Parking Study, two sites for potential garages were identified within the Downtown Loop to meet the demand. In the Study, it was recommended that for planning purposes, revenues associated with a potential new City-owned parking garage were estimated and projected.

#### Urban Design Studio – January 2014

In an effort to engage Downtown stakeholders and to receive their input regarding considerations for a new Downtown parking garage, the Department collaborated with Downtown Durham, Inc., and the City-County Planning Department to hold an Urban Design Studio charrette in January 2014. The purpose of this community engagement exercise was to provide an opportunity for public input in creating a vision for redevelopment of the public parking lots along the south side of Morgan Street between Mangum and Holland streets, and defined important design and functional characteristics for possible future parking structures at those sites. The event engaged stakeholders to identify and prioritize goals for redevelopment.

From this engagement exercise, we learned that the community desired that ground-level commercial/retail space be incorporated into the design to activate pedestrian activity. Also, the majority of the attendees favored the height of the garage not to exceed 7 stories. The office component was added to the overall design scheme based on the needs of an expanded parking program that will include the Paid On-Street Parking Program and its associated operational considerations.

As a result of the feedback from the Urban Design Studio and in consultation with Kimley-Horn, City staff determined that surface parking lot #14, located at the intersection of Mangum and West Morgan Streets as the preferred site of the new parking garage.

#### Site Visits

Since the City had not built a parking garage since the 1980s and given the fact that parking structures have unique characteristics that distinguishes them from other buildings, City staff conducted site visits to other municipalities that had constructed mixed-use parking garages. These cities included Raleigh, NC; Fayetteville, NC; Norfolk, VA; Virginia Beach, VA; Washington, DC. The purpose of these visits was for staff to learn about industry best practices, lessons learned, design considerations that were explored in the respective projects. Staff inquired about a diversity of issues, including structural engineering, feasibility and site analyses, planning and functional design elements, sustainable design, lighting and draining, intelligently balancing aesthetics, durability and cost for maximum benefit to the City, the parking customers and the environment. The best practices learned from our peer cities helped to frame our approach and methodology for the project.

#### Project Delivery Method Analysis

Prior to advertising for professional services, City Staff evaluated project delivery methods available under NC law for determining the most appropriate project delivery method. The

General Services' Project Management Division is tasked with managing the design and construction of this project. As part of its evaluation process, General Services conducted an analysis regarding the delivery method (i.e., Design-Build (DB) and Construction Manager at Risk (CMAR) for the project. The analysis was project specific and included a test of the project against the General Service's criteria for procurement methods. Further, the analysis included consultation with scholarly documents on Design-Build versus CMAR for public construction projects; conversations with engineers and contractors who have worked on both Design-Build and CMAR parking garages; as well as conversations with a parking garage specialty contractor.

While there are merits to both Construction Manager at Risk and Design-Build delivery methods City staff recommended CMAR as the best method for this project. The Construction Management at Risk delivery method allows the construction management firm to be selected using a qualifications based selection process; the CMAR serves as the City's fiduciary and coordinates subcontract bid packages to develop optimum competition and compliance with the City's EBOP program; CMAR is the delivery method that most closely affords the benefits of integrated project delivery, whereby the CMAR and Design teams are involved in the project development during the design and preconstruction phase as an integrated team contracted by the City. This allows the team to provide design and preconstruction services in the best interests of the project and as a team throughout the project lifecycle.

#### Kimley-Horn Feasibility Study

In an effort to update the Parking Study recommendations to incorporate suggestions received from the Urban Design Studio, the Transportation Department consulted with Kimley-Horn to conduct a feasibility study on the proposed mixed-use garage. The study determined the number of parking spaces that is attainable given the available footprint and the seven story height constraint established in the Urban Design Studio charrette. The study also included options on how to incorporate commercial/retail space within the structure. Kimley-Horn considered conceptual layouts and functionality of a parking structure with the stated objective to provide between 750 - 850 parking spaces, approximately 15,000-20,000 SF of ground-level commercial/retail, and at least a 5,000 SF of office area. In addition to developing concepts, the feasibility study sought to identify key design questions that would need further study during the next phases of design, such as how to protect the public uses in the adjacent alley way. Finally, budgetary construction cost estimates were prepared and lifecycle costs of structural options were evaluated.

#### Overview of the RFQ Process

Request for Qualifications (RFQs) for CMAR and Design Services were advertised on February 17, 2016. The RFQs included the following items:

1. Scope of services, budget and schedule were provided to guide respondent firm responses and project approach.
2. A copy of the Kimley Horn Feasibility Study was attached as an appendix which enumerated design options, density studies and had preliminary cost estimates.
3. The survey responses from the 2014 Urban Design Studio was attached as an appendix to understand the origin of the project site selection as well as the initial design tenets the project would embody and input from the public (such as including a retail component to engage the streetscape along Morgan St, a garage that looked like a building, height sensitivity, etc.)

City staff held the Pre-Proposal Conference on March 2, 2016. Proposals were received from respondent firms on March 18, 2016. Upon receipt, City staff forwarded the proposals to the Equal Opportunity and Equity Assurance (EOEA) Department for compliance determination with the City's Equal Business Opportunity Program Ordinance. Eight Professional Services (Design) and four CMAR proposals were deemed compliant and were distributed to members of the interdepartmental review team for evaluation. Members of the evaluation committee independently reviewed and scored the proposals based on criteria outlined in the RFQs for Professional Services and CMAR.

The evaluation team's individual scoring sheets were compiled by General Services. The team met to discuss the cumulative RFQs and scoring results, and a "shortlist" was developed of the respondent firms. Finalist interviews for CMAR firms were held on April 18, 2016 and interviews for the Design firms were held on April 22, 2016. At present, City staff has put the final selections on hold pending the City Council's review of the original project approach and timeline.

### **Issues and Analysis**

Staff has been asked to validate the original program of parking garage and retail / office space to see if inclusion of an affordable housing component is viable. Staff has tested viability against four values: impact to constructability; impact to budget; impact to schedule; and impact on the City's affordable housing goals. The following is an analysis of those four values.

#### **Constructability**

As an housing element was not a goal during site selection, a primary consideration is whether it is a viable program addition given site constraints and if so, what impacts the housing component will have on the major building systems. Two approaches to incorporate a housing component have been considered. One is a "wrapper" type, where the housing is multi-height and the parking garage is set behind the housing, internal to the site. The second is a "topper" type, where housing is included in one or more discreet stories above the parking garage structure.

After evaluation, staff has determined that incorporating housing within the footprint at street level as a "wrapper" is not practical for this site. This is driven primarily by the need to protect the use of the public alley on the southern/internal side of the site. Viable wrapper schemes would require encroaching on the alley way as well as narrowing the pedestrian space on Mangum Street. The public alley has windows in zero-lot line walls, storefronts, primary business entries, tenant parking, garbage collection, and service delivery doors. Encroaching on the alley would create major functional issues for adjacent property owners. For more information on the alley and general land use constraints of the site, see Exhibit A: Land Use Requirements and Limitations. The wrapper approach also has the potential of limiting natural ventilation options for the garage and so may require the added cost of mechanical ventilation and additional fire protection measures at those levels that are wrapped.

The second option is for housing to be constructed on top as a "topper". While this approach would meet site constraints, the added fire protection and structural measures required would create cascading costs across the entire garage. Adding enclosed conditioned space on the top of an open, ventilated garage creates structural bracing requirements that would most likely require a cast in place structural system below. Due to the planned height of the parking structure to accommodate the goal of 750-850 parking spaces, and associated high-

rise construction codes, the housing level would need to be either concrete or steel as opposed to the more typical wood or light gauge steel. The “topper” housing level would add significant loads and lateral bracing requirements to the parking structure. Depending on the design load analysis, the structural adjustment would be either a thickened top slab called a “transfer floor” or could be handled by running additional columns down through each garage level to convey added loads to the ground. Either solution results in additional costs or the latter (additional columns) would result in a reduction in parking efficiency, with as many as 90 fewer spaces being provided within the same number of levels.

Other architectural/system constructability issues to consider when constructing residential on top of garage:

1. Residential units on floors over a 7-level garage put the structure into the “high rise” construction category, typically resulting in higher construction costs than “low rise.”
2. Additional elevators will be required (aside from direct cost-will take up part of footprint of every level of garage).
3. MEP (Mechanical Electrical Plumbing) cost- service will have to be extended 7 levels to get to residential level (additional cost and space).
4. Additional security cost-separating the residential from the garage for security reasons can result in additional cost dependent on desired level of security.
5. Residential on top of garage will affect required MEP systems on top parking floors (fire protection for life safety mechanical to condition underside of residential slab for thermal reasons).
6. Construction on 8<sup>th</sup> level is a more costly operation based on direct logistics- costs of tower crane, lifts, etc.,; indirect costs efficiencies of workers.

Parking counts and leasable ground floor space would be reduced by either scheme because of the need to provide a dedicated elevator and stair core and the number of parking spaces that would be allocated for residential use.

Another constructability issue that the team has studied is whether to use a precast or cast-in-place (CIP) structure. The final structure type selection will be evaluated during the design process, but the following factors are being considered by the project team as part of the recommendation:

1. **Desired Life/Durability**-CIP garages have fewer joints and are generally considered more watertight than precast. This is a critical concern when delivering mixed-use projects, where leaks into the leasable space are a grave concern, and was one of the top recommendations of all consultants interviewed for the project design team.
2. **Maintenance**-See structural system maintenance comparison in the budget section below, but CIP has the lowest maintenance.
3. **Function/Comfort**-Clear Span structures are best for function (CIP), sense of safety and flexibility of stall layout and so is the preferred solution for public parking garages. Column spacing often change with overbuilds above. CIP construction is easiest to accommodate overbuilds.
4. **Appearance**-Precast structures have facades and interiors that tend to be less open than CIP structures.
5. **Safety**-Generally, structures with clear spans (fewer columns), greater floor-to-floor heights and fewer beams and joints are more open, giving a greater sense of safety. CIP open construction is best for lighting (fewer beams blocking light). This makes CIP the preferred solution for a public parking garage.

By way of example, Duke University's new Cameron Blvd/Science Drive Parking Garage is a 2,400 space CIP structure and the project manager communicated this method was selected for safety, aesthetics, durability and limited maintenance.

#### Budget

Staff has considered both initial and long-term costs when recommending CIP as the preferred structural solution. In terms of long-term costs, when combined with post tensioning (CIP/PT) cast in place garages are approximately 15-20% less costly to maintain than a precast parking structure.

In consideration of the initial costs (costs of construction), over the past 20 years, market trends fluctuate such that at times precast structures were as much as 10 to 15% less expensive to construct. However, depending on availability and demand, CIP/PT structures may be less expensive to build than precast. It all depends on market timing. Currently, based on benchmarking costs provided by both designers and contractors for several recently designed parking structures, pricing models indicate that precast and CIP/PT structures are very competitive with each other within the current market conditions. Recent pricing provided by contractors shows precast garage structures averaging around \$18,000 per space and CIP/PT garages averaging \$20,000 per space. CIP/PT structures bring ancillary benefits that add value to the project such as reduction in lighting quantity and reduced leak protection work. These values are especially important in a mixed use parking garage that serves the public.

#### Schedule and Affordable Housing

The current project schedule, with no program changes and no further delays, would allow project delivery in late summer 2018. The addition of affordable housing as a program component will cause significant delays for the project, as additional funding sources would need to be explored, since the Parking Enterprise Fund cannot be spent on housing. A more specific analysis of the affordable housing tax credit process and schedule impacts is provided below.

As the need continues to create affordable rental housing for households earning 60% or below Area Median Income (AMI) and with the utilization of Federal Low Income Housing Tax Credits (LIHTC) being a valuable tool to assist in financing tax credit projects, below is an estimated timeline for the LIHTC application process for the Morgan Street Parking Garage site.

#### Tax Credit Application Process 9% Credits

If the RFQ were to be re-issued, the earliest a preliminary tax credit application for the award of 9% tax credits could be submitted to the North Carolina Housing Finance Agency (NCHFA) would be January of 2018 with the final application due to the agency in May of 2018. This assumes that the 2017 application deadline could not be met. An award of tax credits are typically made in August/September of the year of the application. If a project were to be awarded 2018 tax credits, it would define a placed in service date of December 31, 2020 for completion of the project. It should be noted that the award of tax credits is very competitive and is not guaranteed. If the project were not awarded an allocation of tax credits, another source of funding would need to be identified to fund the total gap, if an affordable housing component were to be included. If an affordable housing component were not included as the result of a non-award, the process would have delayed the start of construction of the parking deck by approximately 2 years.

A 2018 application could have an impact on other LIHTC projects that may be in the pipeline for submittal including, the Jackson Street parcel, Southside Phase III, Durham Housing Authority and other projects other developers may be planning to submit that the City may not be aware of.

#### Number of Units

The minimum number of units required for a tax credit application is 24, but the average number of units included in LIHTC projects that received an allocation of tax credits in 2015 were approximately 60. The inclusion of 60 affordable units at 60% or below AMI, which is a requirement for the allocation of tax credits will add an estimated \$9.6 million (160k/unit x 60) to the cost of the project and would have the potential to increase the height of the parking deck an additional 3-4 stories, based on the design and square footage of the proposed units. Assuming an allocation of tax credits provided 60% of the cost of construction, a financial gap of approximately \$3.8m would exist. As the Limited Partnership and the equity investor would like to close on the issuance of the tax credits by spring of 2019, a funding source for the construction gap would need to be identified.

#### Marketability

Staff would recommend that a market study be conducted to determine the interest in residing in downtown affordable housing over a parking structure. There is a need for affordable housing downtown, but would it be attractive to individuals with families and/or seniors who would have to travel several floors to arrive at their residence. The impact of the additional floors on the City's skyline and what impact the extended height would have on businesses and residential units near the proposed development are questions that require additional research.

#### Tax Credit Application Process 4% Credits

Another financing mechanism available through NCHFA is the availability of tax-exempt bond financing, which if the applicant *were* to receive, becomes eligible for a 4% tax credit. In order to utilize tax-exempt bond financing, the applicant would need to partner with a local entity such as local government or a public housing authority, to issue the bonds. The application for 4% credits occurs two times per year (normally January and either June or July) so the possibility may exist that an application could be ready for submittal by June/July of 2017. Tax exempt bonds only provide approximately 30% of the required financing for the construction of affordable housing. The 4% scenario would leave a required subsidy of approximately \$6.8m that would need to be identified to fund the project. The application process for 4% deals is not as competitive as the 9% tax credit application process.

#### **Alternatives**

1. The City Council could authorize the Administration to proceed with the current approach and timeline for the construction and delivery of the new Downtown Mixed-Use Parking Garage. (Preferred)
2. The City Council direct City staff to consider other considerations for the project. This is not preferred by City staff as it would delay the provision of critically needed public parking in the downtown area.

#### **Financial Impact**

The City's parking assets operate as an enterprise. The current estimated cost for the new parking garage is approximately \$23 million dollars. Funding for the project is allocated in the Parking Enterprise Fund.

**SDBE Summary**

The SDBE Summary is not applicable.

**Attachments**

Exhibit A: Land Use Requirements and Limitations

## Land Use Requirements and Limitations:

Planning staff has identified a number of regulatory provisions that may affect the time, cost, and design of a project on this site, due to its location in the Core of the Downtown Design (DD-C) zoning district and the Downtown Local Historic District:

- Section 6.12.2.C and 6.12.3.A.2 of the Durham Unified Development Ordinance (UDO) specifies minimum and maximum height allowable for different building types in the DD-C. However, approval of the required Certificate of Appropriateness (COA) by the Historic Preservation Commission (HPC) may either further limit allowable height or allow for relief from the aforementioned height standards; and
- There are specific architectural standards within the UDO that apply to different building types within DD-C, including parking structures. If the proposed structure incorporates the parking structure frontage type, the following design requirements apply:
  - Per UDO Section 6.12.2.D.7.b.- A minimum of 75% of the ground floor along the street frontage shall be built to allow conversion to retail space
  - Non-vehicular vertical circulation elements located along the street frontage shall meet Storefront or Arcade Frontage Type requirements, and entrances shall have direct access to and from the street frontage
  - Exposed parking areas on all levels must have a decorative wall or other decorative screening of sufficient height to screen parked vehicles.
  - Openings (not including driveway access) shall be a maximum of 100 square feet
  - No more than 30% of the parking structure materials along the street frontage shall be unfinished concrete.
- UDO Section 6.12.3.A requires that buildings be located between 12 and 18 feet from back-of-curb. However, the Certificate of Appropriateness (COA) by the Historic Preservation Commission (HPC) may allow for variations to this standard.
- Please note that if the City desires to close the adjacent alley, the adjacent alley cannot be closed without providing an alternate right-of-way that accomplishes the same or similar connectivity (per Section 13.4.2 of the UDO) nor can the closure limit legal access to adjacent properties that have current legal access and usage.
- The following development review applications will be required for this project:
  - Certificate of Appropriateness
  - Site Plan Review
  - Construction Drawings
  - Land Disturbance Permit
  - Building Permit

Staff anticipates an approximately six (6) month review process, assuming a high quality submittal (and re-submittals) by the City's chosen consultant with a high level of initial adherence to required UDO standards.